

Strategic Goal #3: Provide financing support for qualified exports for which private market financing is not available.

Annual Performance Goal 3.1: In FY2001, Ex-Im Bank will increase the number of small business transactions/policies authorized by 10% from FY2000 levels.

Measure:

Data Source:

Authorization data from Ex-Im Bank's accounting system

Baseline:

Small Business Transactions					
	FY96	FY97	FY98	FY99	FY00*
<i>Number of small business transactions</i>	2,000	1,914	1,863	1,903	2,176
<i>Percentage increase</i>	N/A	-4%	-3%	2%	14%

* preliminary

Verification and Validation:

All Ex-Im Bank applications require a Dun and Bradstreet number for the applicant and the exporter. Ex-Im Bank has established a system with Dun and Bradstreet that D&B uses *SBA*'s guidelines to determine if the exporters are small businesses. Ex-Im Bank's list of exporters is reviewed and the small business designation is updated once a year.

Comments:

Ex-Im Bank supplements, not competes with the private sector. Hence, Ex-Im Bank's small business support serves as a platform for small business exporters to grow to the point where they become attractive to the private sector. To the extent Ex-Im Bank can ensure that it does not hinder this movement to the private sector, Ex-Im Bank's ability to meet higher targets is limited.

Small business transactions tend to be small dollar amounts. Hence, the more appropriate measure of growth in Ex-Im Bank support for small business is the number of policies supported (vs. the dollar amount authorized and/or the dollar amount of small business authorizations as a percentage of total Ex-Im Bank authorizations).

Means and Strategies:

2001 Strategies

- The key to Ex-Im Bank's small business growth is its ability to increase the awareness of Ex-Im Bank's existence with small business exporters. Ex-Im Bank will continue executing a marketing plan to increase awareness of Ex-Im Bank by small business exporters.
- Ex-Im Bank will establish aggressive sales targets for marketing staff.

Means

Human Resources:

FTE resources for small business activity, in terms of credit officers, are already accounted for in annual performance goals 1.1, 3.2, 3.3, and 3.4 and in terms of marketing officers, are accounted for in annual performance goals 5.1 and 5.2.

Program Budget:

Although Ex-Im Bank sets aside 10% of its budget authority for small business support (as required in the Ex-Im Bank charter), Ex-Im Bank believes that its support for small businesses will be significant and the need for budget authority will exceed 10%. In fact, historical data suggests that the level of demand for small business support will be in the \$3.5 - \$4 billion range, and therefore, the need for program budget for this goal is around \$165 million.

Administrative Budget:

Administrative budget resources are already accounted for in annual performance goals 1.2, 3.1, 3.2, and 3.4.

Technical Resources:

The technical resources being applied in annual performance goals 3.2, 3.3, 5.1, and 5.2 will impact this goal.

External Factors:

- The external factor most likely to affect Ex-Im Bank's ability to meet this goal is the trend of global economic conditions. Demand for Ex-Im Bank financing is typically at its peak during poor to normal conditions, not during catastrophic or excellent global economic conditions.
- The pace at which technology changes international business will affect the successful achievement of this goal. Many of Ex-Im Bank's initiatives will use technology to reach out to users. If access to and use of technology by small US exporters and foreign buyers does not move apace with Ex-Im Bank's use of technology, Ex-Im Bank may not be able to serve as many needy customers.

Annual Performance Goal 3.2: In FY2001, more than 90% of all *Working Capital* transactions (by number) will be with small businesses.

Ex-Im Bank's Working Capital Guarantee Program encourages commercial lenders to make loans to U.S. businesses for various export-related activities. The program facilitates the

expansion of U.S. exports by helping small and medium-sized businesses that have won export contracts but need funds to buy or produce goods, and/or to provide services, for export.

Measure:

Data Source:

Authorization data from Ex-Im Bank's accounting system and small business data from Ex-Im Bank's database of users

Baseline:

In FY2001 90% of all authorizations under the ***Working Capital*** Guarantee Program (WCGP) will support small businesses. Since the inception of the Working Capital Guarantee Program, generally 90% of loans under this program have been to small businesses as determined by ***SBA*** guidelines. The Working Capital Guarantee Program is a unique program for small businesses. Most larger businesses can access lower cost capital markets financing or traditional lending financing without Ex-Im Bank support, thus ensuring the WCGP as the primary financing solution for small businesses.

Working Capital Small Business Transactions					
	FY96	FY97	FY98	FY99	FY00*
<i>Percentage of transactions authorized that were for small businesses</i>	97%	90%	96%	93%	94%

*preliminary

Verification and Validation:

Approximately 75% of all transactions (by dollar volume) under the WCGP are committed through a delegated authority process. Delegated Authority allows a lender to underwrite the Borrower without Ex-Im Bank's pre-approval through pre-established criteria. The Lender notifies Ex-Im Bank within 10 business days of the approved credit. One criterion is for the lender to determine whether the Borrower is a Small Business under ***SBA*** guidelines. Lenders participating in the Delegated Authority program are audited on a yearly basis. One audit profile is to determine whether the Borrower indeed falls within SBA criteria.

Of the 10% of transactions that are underwritten in-house, loan officers certify that every Borrower falls within SBA criteria based upon information submitted by both the Lender and Borrower. This criterion is also verified by credit reports published by independent credit rating agencies.

Means and Strategies:

2001 Strategies

- Ex-Im Bank has developed special initiatives to reach out to small businesses. Specifically, Ex-Im Bank has developed:

- o A film production working capital guarantee that could benefit the independent film industry.
 - o An underserved markets initiative that will provide lender incentives to underwrite working capital loans to historically underserved constituencies including: women-owned businesses, minority-owned businesses, exporters located in rural or urban locations or environmental businesses (all typically small businesses)
- Automation via the internet of many of the underlying notices will allow for a program that is faster and more flexible thereby insuring excellent customer service and responsiveness.
- In 1999, Ex-Im Bank initiated an aggressive sales and marketing program targeted at Asset Based Lenders and Community Banks. This effort is planned through FY2001 and is expected to dramatically increase access to Ex-Im Bank for small businesses.
- Ex-Im Bank has developed targeted direct mailings for ready-to-export small businesses and will place advertisements and articles in publications directed at small businesses.
- Ex-Im Bank will use e-commerce initiatives to develop a customer friendly, on-line application processing system.

Means

Human Resources:

The Business Credit Division will have a staff of 11 FTEs engaged in reviewing applications, structuring transactions, and making recommendations for financing offers under Ex-Im Bank's Working Capital Guarantee Program.

Program Budget:

Ex-Im Bank does not set-aside budget authority for individual goals (other than 10% for small business support). Thus, within the boundaries of need for Ex-Im Bank, the first transaction in has the first access to financing support. Unlike other government credit programs, Ex-Im Bank does not allocate financing to certain markets or industries; rather it responds to the needs of the market.

Ex-Im Bank requests program budget based on the expected demand for its service. Historical data does suggest that the level of demand for ***working capital*** financing will be in the \$750 million to \$1 billion range, and therefore, the need for program budget for this goal is around \$20 million.

Administrative Budget:

The Business Credit division has a travel budget of \$90,000 that is used for education of lenders on the working capital guarantee program, due diligence visits to both lenders and exporters, and field audits of banks using Ex-Im Bank's delegated authority program. No other special administrative budget resources are required for this goal.

Technical Resources:

In concert with the e-commerce initiative described in annual performance goal 4.2, Ex-Im Bank will be developing on-line reporting mechanisms for customers of the working capital program. The cost of this effort is included in annual performance goal 4.2.

Government-wide Efforts:

In 1994, Ex-Im Bank and the **SBA** harmonized their **working capital** programs in order to eliminate duplication of efforts. Since this agreement, for all non-delegated authority transactions Ex-Im Bank will only support transactions over \$833,000 and SBA will support transactions less than this amount. Ex-Im Bank and the SBA also use a joint application that allows a borrower and lender to use the same application for all qualifying working capital loans. At this time, Ex-Im Bank and SBA have not developed common measures for this goal.

External Factors:

- The external factor most likely to affect Ex-Im Bank's ability to meet this goal is the trend of global economic conditions. Demand for Ex-Im Bank financing is typically at its peak during poor to normal conditions, not during catastrophic or excellent global economic conditions.
- The level of US exports by small businesses.

Annual Performance Goal 3.3: In FY2001, 80% of all single-buyer short- and medium-term insurance transactions (by combined number) will involve high-risk markets or high-risk customers.

*Ex-Im Bank successfully insures a significant (but percentage-wise small) amount of U.S. short and **medium-term** exports, most of which would not be made without this insurance support. The coverage provided and the premiums charged under this program compare favorably with those of other **ECAs** and are higher than the private sector thus assuring that Ex-Im Bank is an insurer of last resort.*

The export credit insurance program is supplemental to, and not competitive with private sector insurance programs. While private insurers target exporters that meet profit incentives, the Bank's insurance supports small and medium-sized exporters and sales to markets and on terms where private underwriters will take limited or no risks or otherwise have capacity constraints.

Measure:

Ex-Im Bank defines **high-risk markets** as those countries that receive a 5 or higher ranking in the Interagency Country Risk Analysis System (**ICRAS**). Through a concordance with the capital market rating system, 5 or higher is considered to be below investment grade. High-risk customers are those customers who fail two or more of Ex-Im Bank's **credit standards** or whose financial condition is deemed to be marginal.

Data Source:

Data is currently captured in Ex-Im Bank's insurance processing system on country risk rating, **credit standards** and financial condition. This data is readily available for measurement through the use of customized reports.

Baseline:

Insurance Transactions in High-Risk Countries					
<i>(by number of transactions)</i>	FY96	FY97	FY98	FY99	FY00*
<i>Single-buyer insurance transactions in category 5 or higher</i>	85%	88%	84%	85%	88%

* preliminary

Verification and Validation:

Credit officers perform financial analyses of every application. The country risk rating and credit standard data are a required part of the financial analysis. In order to evaluate the appropriateness of Ex-Im Bank's **credit standards** Ex-Im Bank has added fields to its case processing system that will store information on the country rating and credit standards. Credit officers note this and other case specific information on a coding sheet and underwriting assistants then input the information into the processing system. Credit managers review the financial analysis and confirm the conclusions made in the analysis before approving the transaction. Information management reports are prepared on the data in the case processing system for management and program evaluation purposes.

Comments:

All of the proposed measures exist except for those related to "marginal financial condition" which may be difficult to objectively ascertain. However, because most of the transactions are likely to fall within the other two categories, this may be less problematic.

Means and Strategies:

2001 Strategies

- Ex-Im Bank will develop initiatives to reach out to businesses who need Ex-Im Bank. For example, Ex-Im Bank is developing specialized **credit standards** for buyers in industries that typically do not benefit from Ex-Im Bank support because of an ability to meet credit standards designed for manufacturing firms.
- Ex-Im Bank will implement an innovative financing program with General Motors Acceptance Corporation (GMAC) that could generate up to \$3 billion in exports annually from small US exporters selling to small Mexican buyers. Under the program, GMAC would sell high-rated commercial paper to investors backed by Mexican receivables that would be backed by and enhanced Ex-Im Bank insurance policy.

- Ex-Im Bank is engaged in an aggressive marketing plan targeting new exporters. It is anticipated that this outreach program will result in increased demand from customers operating in high-risk markets.
- The Insurance division will be implementing an on-line application processing and portfolio management system scheduled for implementation in FY2001 and FY2002.
- Ex-Im Bank will introduce a new short-term fee system that will more aptly reflect market risks, yet not compete with the private sector.
- Ex-Im Bank will streamline and simplify key insurance products to meet customer service needs.

Means

Human Resources:

In FY2001, the Insurance division will have a staff of 45 to handle the volume of activity projected for the year.

Program Budget:

Ex-Im Bank does not set-aside budget authority for individual goals (other than 10% for small business support). Thus, within the boundaries of need for Ex-Im Bank, the first transaction in has the first access to financing support. Unlike other government credit programs, Ex-Im Bank does not allocate financing to certain markets or industries; rather it responds to the needs of the market. For example, as a result of the Asia crisis, in FY1999 demand for financing in Asia was significantly lower than in previous fiscal years, but the demand for Ex-Im Bank financing was still significant. Ex-Im Bank was able to provide financing for those transactions that needed assistance and therefore, was able to keep U.S. exports (and the jobs associated with those exports) from declining even further.

Ex-Im Bank requests program budget based on the expected demand for its service, but does not historically break down demand based on the market imperfection being addressed. Nonetheless, historical data does suggest that the level of demand for medium-term insurance will be in the range of \$.75 to \$1 billion, and therefore, the need for program budget for this goal is around \$10 million.

Administrative Budget:

Ex-Im Bank has allocated \$72,770 for travel related to due diligence trips for specific transactions. No other special administrative budget resources are required for this goal.

Technical Resources:

In FY2000, Ex-Im Bank began a two-year process to develop an interactive on-line application processing front-end with an automated underwriting and policy issuance feature. This system is likely to dramatically increase Ex-Im Bank's ability to handle an increase in demand and will greatly improve customer service through increased

responsiveness. This system will also allow Ex-Im Bank to more efficiently use its credit officer resources. The cost for this project in FY2001 is expected to be approximately \$4 million (this number has been included in the administrative budget for annual performance goal 4.2).

External Factors:

- The external factor most likely to affect Ex-Im Bank's ability to meet this goal is the trend of global economic conditions. Demand for Ex-Im Bank financing is typically at its peak during poor to normal conditions, not during catastrophic or excellent global economic conditions. For example, the Latin America crisis of 1982 resulted in a dramatic drop in Ex-Im Bank financing as demand for exports declined and the risk of transactions increased. Conversely, the Asia financial crisis of 1998 resulted in an increased demand for Ex-Im Bank financing as the Bank was called upon to assume the additional risk of Asian buyers for short- and medium-term transactions. Prior to the financial crisis, many Asian countries experienced strong economic conditions and buyers in these markets were able to access commercial financing. However, where a combination of catastrophic economic and political conditions is observed, demand for financing is weak or non-existent.
- The pace at which technology changes international business will affect the successful achievement of this goal. Many of Ex-Im Bank's initiatives will use technology to reach out to users. If access to and use of technology by small US exporters and foreign buyers does not move apace with Ex-Im Bank's use of technology, Ex-Im Bank may not be able to serve as many needy customers.

Annual Performance Goal 3.4: In FY01, 60% of all *long-term* loan and guarantee transactions (by number) will involve *high-risk markets* or high-risk customers and 85% of all *medium-term* loan and guarantee transactions will involve *high-risk markets* or high-risk customers.

*Difficult economic situations have constrained countries' ability to take on significant amounts of direct or government-guaranteed debt. This means that Ex-Im Bank, especially in **high-risk markets**, has to look increasingly beyond repayment guarantees by governments or banks, to find innovative ways to structure financing in order to reduce or mitigate risk and make transactions and projects creditworthy.*

Measure:

Ex-Im Bank defines **high-risk markets** as those countries that receive a 5 or higher ranking in the Interagency Country Risk Analysis System (**ICRAS**). Through a concordance with the capital market rating system, 5 or higher is considered to be below investment grade. High-risk customers are those customers who fail two or more of Ex-Im Bank's **credit standards** or whose financial condition is deemed to be marginal.

There is a view that is shared by many of our customers and partners, as well as members of internal management, that Ex-Im Bank misses opportunities to support truly **additional** U.S. export sales because it has been insufficiently willing to take risk and reach out to

challenging credits. In that regard, the goal is to push the envelope and make sure that our overall ***budget cost level*** profile reflects that we are reaching for cases at the high end of the risk scale.

Data Source:

Data is currently captured in Ex-Im Bank's loan and guarantee processing system on country risk rating, ***credit standards*** and financial condition. This data is readily available for measurement through the use of customized reports.

Baseline:

Loan & Guarantee Transactions in High-Risk Markets					
<i>(by number of transactions)</i>	FY96	FY97	FY98	FY99	FY00*
<i>Medium-term</i>	91%	94%	96%	91%	98%
<i>Long-term</i>	55%	62%	63%	49%	58%

* preliminary

Verification and Validation:

Credit officers perform financial analyses of every application. The country risk rating and credit standard data are a required part of the financial analysis. In order to evaluate the appropriateness of Ex-Im Bank's ***credit standards*** Ex-Im Bank has added fields to its case processing system that will store information on the country rating and credit standards. Credit officers note this and other case specific information into the processing system. Credit managers review the financial analysis and confirm the conclusions made in the analysis before approving the transaction. Information management reports are prepared on the data in the case processing system for management and program evaluation purposes.

Comments:

Note that the goal is keyed off of number of transactions as opposed to dollar amounts. The basic intent is not to make our whole portfolio riskier (although that may be a result). Instead, it is to ensure that we are doing everything possible to explore potential transactions at the higher end of the risk scale, understanding that many of these transactions may be small in dollar terms.

Means and Strategies:

2001 Strategies

- Ex-Im Bank will develop initiatives to reach out to businesses who need Ex-Im Bank. Specifically, Ex-Im Bank will develop specialized ***credit standards*** for buyers industries that typically do not benefit from Ex-Im Bank support because of an ability to meet credit standards designed for manufacturing firms.
- Ex-Im Bank will aggressively market to new exporters. It is anticipated that this outreach program will result in increased demand from customers operating in high-risk markets.

- Ex-Im Bank will use e-commerce initiatives to develop a customer friendly, on-line application processing system.
- Ex-Im Bank will create a local currency guarantee product.
- Ex-Im Bank will revise its general purpose credit standards to more aggressively take risk.
- Ex-Im Bank will revise its credit structure for sub-sovereign obligors (e.g., city and state governments) to reach out to more sub-sovereigns.

Means

Human Resources:

As noted in annual performance goal 1.1, Ex-Im Bank will have 47 FTEs engaged in reviewing applications, evaluating risks, and providing recommendations on applications for loan or guarantee support in non-investment grade markets. Reaching out for higher risk transactions will involve (i) greater use of staff time (due to the difficult nature of the cases), and (ii) somewhat greater program budget usage (due to the higher ***budget cost levels*** of the cases). However, we anticipate being able to stay within the Administrative and Program budget allocations otherwise requested by Ex-Im Bank by managing our personnel and budget usage intelligently (for example, by reducing the staff time needed for more straightforward cases).

Program Budget:

Ex-Im Bank does not set-aside budget authority for individual goals (other than 10% for small business support). Thus, within the boundaries of need for Ex-Im Bank, the first transaction in has the first access to financing support. Unlike other government credit programs, Ex-Im Bank does not allocate financing to certain markets or industries; rather it responds to the needs of the market. For example, as a result of the Asia crisis, in FY1999 demand for financing in Asia was significantly lower than in previous fiscal years, but the demand for Ex-Im Bank financing was still significant. Ex-Im Bank was able to provide financing for those transactions that needed assistance and therefore, was able keep U.S. exports (and the jobs associated with those exports) from declining even further.

Ex-Im Bank requests program budget based on the expected demand for its service, but does not historically break down demand based on the market imperfection being addressed. Nonetheless, historical data does suggest that the level of demand in ***high-risk markets*** will be around \$4 – 4.5 billion, and therefore, the need for program budget for this goal is around \$645 million.

Administrative Budget:

Ex-Im Bank has allocated \$303,750 for travel related to developing business activity in high-risk markets as well as for travel related to specific transactions (including deal-specific travel expenses for attorneys and engineers who are evaluating the transaction.

These travel expenses are also used to support annual performance goal 1.1. No other special administrative budget resources are required for this goal.

Technical Resources:

Ex-Im Bank will use existing computer and management information systems, with the addition of certain customized analytical reports, to achieve this goal.

External Factors:

- The external factor most likely to affect Ex-Im Bank's ability to meet this goal is the trend of global economic conditions. Demand for Ex-Im Bank financing is typically at its peak during poor to normal conditions, not during catastrophic or excellent global economic conditions. For example, the Latin America crisis of 1982 resulted in a dramatic drop in Ex-Im Bank financing as demand for exports declined and the risk of transactions increased. Conversely, the Asia financial crisis of 1998 resulted in an increased demand for Ex-Im Bank financing as the Bank was called upon to assume the additional risk of Asian buyers for short- and medium-term transactions. Prior to the financial crisis, many Asian countries experienced strong economic conditions and buyers in these markets were able to access commercial financing. However, where a combination of catastrophic economic and political conditions is observed, demand for financing is weak or non-existent.
- The pace at which technology changes international business will affect the successful achievement of this goal. Many of Ex-Im Bank's initiatives will use technology to reach out to users. If access to and use of technology by small US exporters and foreign buyers does not move apace with Ex-Im Bank's use of technology, Ex-Im Bank may not be able to serve as many needy customers.

Annual Performance Goal 3.5: In FY2001, Ex-Im Bank will identify and provide financial support for at least three renewable or alternative energy projects.

Measure:

Data Source:

Authorization data from the accounting system and information on the type of project the exports will support as captured in Ex-Im Bank's processing systems

Baseline:

Ex-Im Bank Support for Renewable or Alternate Energy Projects					
	FY96	FY97	FY98	FY99	FY00*
<i>Number of Renewable or Alternate Energy Projects</i>	5	0	0	0	2

<i>supported</i>					
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* preliminary

Verification and Validation:

Ex-Im Bank's engineers identify the project receiving the benefits of the export for all project-type sales. In this case, the engineer will determine if the project fits the definition of renewable or alternate energy. Ex-Im Bank has defined renewable or alternate energy projects as those projects that make use of photovoltaic, wind, hybrid, biomass, fuel cell, geothermal, coal gasification or waste to energy technology. The engineer records in the application processing system the project classification. The information in that system is obtainable in report form.

Means and Strategies:

2000 Strategies

- Through coordination with agencies including DOE and AID, Ex-Im Bank will apply an aggressive environmental marketing program to identify and target foreign buyers planning renewable energy projects for which US exported equipment and services could be used.
- Ex-Im Bank will review the features of its Environmental Exports Program in order to upgrade it with a view to making it more attractive to foreign buyers of US goods and services, especially those foreign buyers considering the purchase of renewable energy exports.

Means

Human Resources:

In addition to the Engineering and Environment division resources already accounted for in annual performance goal 2.1, Ex-Im Bank has also allocated 3 FTEs from the Business Development division to market special emphasis programs, including the EEP.

Program Budget:

Program budget resources are already accounted for in annual performance goals 1.1, 1.2, 3.1, 3.2, 3.3.and/or 3.4.

Administrative Budget:

Ex-Im Bank has allocated \$15,000 of travel budget to marketing the special emphasis programs, including the EEP.

Technical Resources:

None

External Factors:

- The external factor most likely to affect Ex-Im Bank's ability to meet this goal is the trend of global economic conditions. Demand for Ex-Im Bank financing is typically

at its peak during poor to normal conditions, not during catastrophic or excellent global economic conditions.

- The pace at which technology changes international business will affect the successful achievement of this goal. Many of Ex-Im Bank's initiatives will use technology to reach out to users. If access to and use of technology by small US exporters and foreign buyers does not move apace with Ex-Im Bank's use of technology, Ex-Im Bank may not be able to serve as many needy customers.